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This is the author version of article published as:

Mathews, Shane W. and Healy, Marilyn J. (2008) "From garage to global" the internet and international market growth, an SME perspective. *International Journal of Internet Marketing and Advertising* 4(2/3):pp. 179-196.□□

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“From garage to global”
The Internet & international market growth, an SME perspective

Abstract

Keywords: Market growth strategy, SMEs, Internet, internationalisation theory, internetalisation.

The Internet has the capability to generate international market expansion and future growth for firms, a concept known as Internetalisation. However, it is yet to be determined how much or to what extent the Internet influences internationalisation, and thus international market growth. Both international market penetration (capitalising on existing country markets) and international market development (capitalising on new country markets) are achievable goals for the Internet-enlightened SME. The aim of this research is to explore the influence of the Internet on international market penetration and development for SMEs in Australia. The Internet has given SMEs the capabilities to become rapidly or even instantly international. That is, the acceleration of internationalisation due to the Internet has changed the once slow and cumbersome process of international market expansion. Specifically, an evolved version of accelerated internationalisation that incorporates the enhanced virtual network capability for SMEs is a more precise theoretical explanation.

Introduction

The powerful global reach of the Internet is altering the international trade landscape. As a consequence of the Internet's influence on traditional international trade theory, the theory of internationalisation is in need of re-examination (Petersen et al., 2002). The Internet has the capability to generate international market expansion and future international growth for the firm, a concept known as *Internetalisation* (Bell et al., 2001; Buttriss and Wilkinson, 2003). The Internet has evolved into a mechanism that can be used to capture new international market opportunities. Due to transactional and communicational capabilities, the Internet has become an efficient and effective conduit for global trade and international market expansion. That is, a firm can either grow by international market penetration of customers in existing international markets, and/or the firm can develop new country markets or segments with existing products (international market development). Both of these international market growth strategies are influenced by the Internet and are evaluated accordingly.

However, *Internetalisation* is still in a relative infant stage. Research to date has emphasised predominantly external macro forces and broader factors of international marketing, which although important, are variables peripheral to internal core corporate strategic decisions pertaining to international growth. Thus, the purpose of this research is to explore the question "*how is the Internet influencing international market growth for Australian SMEs?*" The results of this exploratory research suggest that the Internet has a profound effect on both the process and path of international market growth. Furthermore, it was found that firms that are internationalising do not necessarily follow what might be considered a traditional path of internationalisation. Rather, both an

integrated virtual and traditional network theory may best explain the internationalisation of SMEs in this new digital environment.

With this background, the paper has been organised into five main sections. The first two sections address the importance of SMEs and the Internet, and the internal firm-specific influences on Internet-based international market growth. The third section analyses the concept of *Internetisation*, followed by a methodological discussion in the fourth section. The paper concludes with suggestions for future research. This paper contributes to the body of knowledge by developing a firm-based strategic focus for the evaluation of the Internet's influence on international market growth for SMEs. One limitation of this research is that it involves 12 cases with an exploratory focus. However, given that the purpose of this research was exploration, this limitation is minimal, as findings will help develop a richer platform of understanding through theory building. Having set the scene, Australian SMEs and the Internet will be addressed next.

SMEs and the Internet. With an estimated 1.6 million small business operators, the small business sector accounts for more than 97% of private business and employs more than 50% of the private sector in Australia (Australian Bureau of Statistics, 2004). As a consequence, small business plays a significant role in the private sector and the overall Australian economy. Further, the Internet's influence on small and medium enterprises (SMEs) internationalising has recently given rise to a number of articles on Internet international marketing (Arnott and Bridgewater, 2002; Aspelund and Moen, 2004; Hashai and Almor, 2004; Moen, 2002a, b; Moen et al., 2003; Moen and Servais, 2002; Poon and Swatman, 1997). Not only large firms with sizable capital but also small and

medium companies with moderate investment have the ability to internationalise due to the Internet (Arnott and Bridgewater, 2002). It has been well-established that the Internet gives even SMEs the capabilities of internationalising where this may not have been possible in the old economy (Aspelund and Moen, 2004; Bennett, 1997; Hamill, 1997; Simpson and Docherty, 2004). Although it has also been suggested that the capital capability of the firm may be a barrier to implementation of the Internet for SME's (Taylor and Murphy, 2004), recent research in the United Kingdom has questioned this argument (Simpson and Docherty, 2004). With the advent of broadband and reduced Internet service prices, expenditure is a non-issue for internetalisation adoption for SMEs. Internet infrastructure is even more important for Australia as Australian firms are geographically isolated from major trading partners such as Asia, Europe, and the US.

Internal firm factors. Internal firm factors such as human and capital resources, readiness of firms, company size, and industry-specific factors are considered when using the Internet in international markets (Arnott and Bridgewater, 2002; Freeman, 1998; Harrison-Walker, 2002; Palumba and Herbig, 1998; Quelch and Klein, 1996). Internal issues may also depend on industry-specific elements and product-specific characteristics, as some industries are affected by Internet technology more significantly than others. For example, information-based products and services that are highly intangible, such as the banking, music, publishing, computer software, and travel industries, have been profoundly affected by the Internet and may have an implementation advantage (Arnott and Bridgewater, 2002). Some researchers have even suggested that less regulated industries are more susceptible to Internet influence and

therefore have a higher probability of allowing firms faster foreign market expansion (Petersen et al., 2002). However, this suggestion is still yet to be empirically tested.

Furthermore, marketing managers have a significant influence on the process of market growth strategy. As such, the decision makers strategic international orientation profile becomes a determinant of internationalisation. The internal readiness of a manager, having either a strategically *proactive* internationalisation stance or a *reactive* stance to the market, has an influence on the way in which, or whether, the firm chooses to internationalise (Siegel, 2004). Thus, the international readiness of managers becomes a precursor to internationalisation online. Further, it has been suggested that not only is the proactive orientation to internationalise important, but also a proactive international *customer* orientation has an important bearing on whether the firm utilises the Internet as a mechanism for internationalisation endeavours (Aspelund and Moen, 2004).

Internetalisation theory. Internationalisation and the components of internationalisation theory have changed due to the Internet (Buttriss and Wilkinson, 2003; Petersen et al., 2002), so much so that post-Internet internationalisation has been referred to as *Internetalisation* (Bell et al., 2001; Buttriss and Wilkinson, 2003). However, conjecture remains in the literature as to which model of internationalisation best depicts the Internet's impact on traditional internationalisation theory.

Alternative theories proposed for *internetalisation* are for the most part conceptually based on more traditional theories such as the stages models (Hamill, 1997). However, two more pragmatic theoretical explanations of internationalisation post-Internet stem

from supply chain management (Overby and Min, 2001) and knowledge-based theory (Petersen et al., 2002). Firstly, the theory of international supply chain management extends the current understandings of network theory. That is, international supply chain management (ISCM) is proposed as the implementation of the networks as a better explanation of internationalisation in an Internet commerce environment (Overby and Min, 2001). In other words, the Internet has re-emphasised the importance for a resource-based network orientation through international supply chain relationships. ISCM theory questions the traditional stages process internationalisation theory, as stages theory advocates an ultimate goal of vertical integration for firms (Overby and Min, 2001). However, Overby and Min (2001) do not adequately explain the significant disintermediation of supply chains within many industries, such as, travel, accommodation, entertainment and media, which has been brought about by large firms placing emphasis on vertical integration through the Internet. This lack of explanation pertaining to the vertical integration leaves some ambiguity in the ISCM theory.

Conversely, Petersen, Welch, and Liesch (2002) propose a re-evaluation of internationalisation theory in light of the significant changes to information availability and knowledge management due to the Internet, which has reversed conventional understandings of learned knowledge. That is, the Internet alleviates traditional barriers to internationalisation through information and knowledge flow efficiencies. Peterson, Welch, and Liesch (2002) argue that the Internet has altered information availability in the international marketplace and enhanced the firm's ability to transfer objective knowledge. Thus, internationalisation post-Internet is better understood by how it has enriched firms with information and knowledge management capabilities. As a result, the

impact of these effects on strategic decisions of international growth needs further evaluation.

International strategic growth is an integral part of international market decisions concerning strategy. However, there has been a lack of emphasis placed on strategy (Porter, 2001) in the area of Internet international marketing, and as such the following research problem has been developed: ***“How has the Internet influenced international market growth for Australian SMEs?”*** Further, three *research issues* have been developed to guide the exploration of the overriding research problem, as seen below.

RI 1: How has the Internet affected the process of internationalisation for SMEs?

RI 2: How has the Internet affected the path and pace of internationalisation for SMEs?

RI 3: How has the Internet affected international market growth direction vectors?

Methodology

Case study methodology, using non-probability purposive sampling, was deemed to be appropriate for this research. The use of multiple case studies gives a holistic perspective of a complex phenomenon, thus constructing a theoretical platform where no set procedures or standards are in place (Gummesson, 2000). In-depth 1½-hour case interviews were conducted with experienced international marketing strategic decision-makers from 12 Australian SMEs that operate internationally and that use the Internet in their internationalisation. Replication logic in case study methodology includes both literal replication (predicted similar results) and theoretical replication (contrasting results but for predicted reasons) that gives a level of analytical generalisability to the study

(Healy and Perry, 2000; Parkhe, 1993; Yin, 1994). Literal and theoretical replication or simultaneously evaluating similar cases and contrasting cases through purposeful selection, as seen in Table 1, achieves replication logic.

[Table 1 goes here]

That is, start-ups (1, 2), small (3, 4, 5, 6) and medium (7, 8, 9, 10, 11, 12) sized firms were selected (contrasting and similar sized cases). Further, firms with B-C (1, 3, 4, 7, 8, 9) and B-B (2, 5, 6, 10, 11, 12) customer orientation were chosen so as to achieve both predicted similar and contrasting results.

One of the most difficult aspects of case research is the case analysis (Yin, 1989), yet data analysis is the core of theory-building case studies (Eisenhardt, 1989). The analysis of qualitative data is a ‘continuous iterative process’ (Miles and Huberman, 1984, p.23). Following the collection of the data, three steps were used in the process: data reduction, data display, and data analysis. However, the first step, data reduction, does not necessarily mean the quantification of data. Rather, it is the process of selecting, focusing, simplifying, abstracting, and transforming the raw data. Data display, the second step, is the organised assembly that permits a conclusion to be drawn, which is the third and final step of the process (Miles and Huberman, 1994).

Yin (1989) suggests two general strategies for data analysis. The first is the reliance on theoretical propositions, and the second is the development of a description. The latter is

the less preferred strategy. Nevertheless, these two strategies proposed by Yin (1989) are not exclusive as data analysis should begin with individual case descriptions (as outlined in Table 2) and then continue with cross-case analysis (Patton, 1990). Cross-case analysis facilitates the search for patterns in the data, as outlined in the findings section (Eisenhardt, 1989). Furthermore, the key to good cross-case comparison is to look at the data in many divergent ways to overcome the problems of theoretical misrepresentation (Eisenhardt, 1989). The approaches to data analysis espoused by Miles and Huberman (1994) and Yin (1989) were adopted in this research.

[Table 2 goes here]

Analysis and Findings

Findings from the 12 cases indicate that although Internet usage in internationalisation or *Internetisation* is still in its infancy, alterations to traditional theoretical frameworks have accrued due to Internet adoption. For some firms the Internet is a primary mode of entry or even sole mechanism for internationalisation, however, other firms use the Internet as a complement to the process of internationalisation and international market growth. Overall, whether the Internet is a key driver for internetisation or not, the Internet is essential for all firms for the implementation of growth in international markets. The three research issues identified earlier will now be explored for a better understanding of the research question.

Research issue 1: How has the Internet affected the process of internationalisation for SMEs?

Firms utilising the Internet in the internationalisation process can capture international communications' opportunities and efficiencies. More specifically, the ability to capture, process, and analyse information and knowledge pertaining to internationalisation due to the Internet has enhanced the capabilities of SMEs to expand into international markets. However, not all information pertaining to internationalisation was seen as equal, as firms viewed the Internet as a better mechanism for market and competitor international information more than that of international consumer and resource information, as illustrated in Table 3. Further, the Internet has improved the firm's ability to interact with stakeholders such as consumers, suppliers, and business partners through inexpensive Internet communications technologies, such as the firm's website, e-mail, and instant messaging systems.

[Table 3 goes here]

Firms viewed the Internet as a very important mechanism for both accessing and disseminating information to the market, as seen in Table 3. The Internet allows SMEs to have an international or even global presence where this was not possible previously. Consequently, the Internet is a pivotal element in the firm's international operations with all firms dependent on the Internet medium for operations as *“down time is just not acceptable for our business and customers in international markets”* (Eta). The ability to generate, store, process, and analyse vast amounts of customer, market, and competitors' information was considered unachievable without the Internet. Primarily the Internet's capacity for generating international information was seen to have a positive affect on the process of internationalisation.

Thus, the Internet has diluted the once asymmetry of information traditionally experienced by SMEs in the internationalisation process (Samiee, 1998). Further, simple objective knowledge (information that can be codified) pertaining to international markets could be transferred internally through intranet and e-mail systems. Conversely, more complex experiential tacit knowledge transference was not evident, reinforcing the argument that “the role of the Internet to provide experiential learned knowledge is questionable” (Petersen et al., 2002, p.210). A firm’s resources may impede the objective learned knowledge processes. For example, firms that were smaller and less resource-capable were less inclined to implement formal and informal intranet systems for international information and knowledge transference, thus, impeding future marketing plans (Samiee, 1998).

The Internet has influenced the process of developing international growth strategy in three ways. Firstly, SMEs are now dependent on the Internet in their internationalisation. That is, the Internet has become an integral part of the internationalisation process for small and medium firms, as the Internet gives access to the same customers as their larger counterparts. Secondly, the Internet allows SMEs access to rich international information and knowledge needed in internationalisation. That is, the Internet has diluted the asymmetry of information in the marketplace pertaining to international market information that traditionally exists in internationalisation. Thirdly, the ability of the firm to interact with customers more frequently and on a deeper level than previously possible due to the Internet has enabled firms to reduce existing barriers associated with geographical isolation. Thus, the information, knowledge and interactive enhancements

due to the Internet are reducing the perceived high risks associated with internationalisation for SMEs. The second research issue investigates the path and pace of internationalisation.

Research issue 2: How has the Internet affected the path and pace of internationalisation for SMEs?

The conservative traditional path of stages or incremental internationalisation has been altered, in part, by a new rapid avenue of internationalisation mediated by the Internet, that is, by the phenomenon of the *internetalisation*. Some firms are totally dependent on the Internet for international growth. For example, *Alpha and Beta (start-ups)* and *Gamma and Delta (dot.coms)* view the Internet as the ‘only’ mechanism for international market growth. Conversely, other firms utilised the Internet as an efficient but essential complementary tool for growth and as a cross-checking tool to gain legitimacy from potential clients in international markets. For example, “*without a website customers would not believe that we are a real company in international markets*” (*Zeta*). However, more traditional networks such as personal relationships are still perceived as essential in the path towards internationalisation. Nevertheless, the Internet, even if only a complement to the traditional network, is still essential in the development and maintenance of business relationships through the communication interactive capabilities of the Internet as previously discussed in research issue 1. It is evident that firms do not use a sole path of internationalisation but use multiple paths for achieving international market growth, as illustrated in Table 4.

[Table 4 goes here]

Surprisingly, virtual network intermediaries were used by most firms (*Alpha, Beta, Gamma, Delta, Epsilon, Theta, Iota, Kappa, and Upsilon*) as pathways toward internationalisation. Examples of virtual network intermediaries are either informediaries such as portals, search engines, government directories, and/or industry directories and/or electronic marketplaces such as eBay, tendermatch.com, tenderlink.com, and dgmarket.com. Virtual network intermediaries are less reliant on personal relationships than are traditional network relationships, as illustrated in Figure 1. Virtual intermediaries, either informediaries or electronic marketplaces, have become vital for the SME, especially if the firm is pursuing an internationalisation program. That is, where the SME does not have the ability to source either the customers or through a marketplace, virtual intermediaries have become a vital conduit between company and customer, which would not be possible in a physical environment due to the barriers of internationalisation.

[Figure 1 goes here]

As a consequence of these virtual intermediaries and perceived opportunities in international markets the international mindset of the firm has been positively influenced, confirming to some extent recent research by Aspelund and Moen (2004). That is, the perceived capability of the Internet on internationalisation has a positive affect on the international mindset of the decision maker of the firm. Moreover, this positive international mindset or orientation due to the Internet can also have a positive effect on

the firm's ability to either rapidly or instantly internationalise. For example, firms *Alpha*, *Beta*, *Zeta*, and *Eta* were all instantly international (international from the firm's inception), and *Delta*, *Epsilon* and *Gamma** rapidly international (international within six months). Further, **Gamma*, after thirty years of domestic conservative trading, rapidly internationalised after integrating an Internet website strategy, for example, "*as a consequence of the Internet the firm's revenue has increased 200 fold, most of which is in the U.S.*" (*Gamma*). These findings affirm the ability of the SME to become rapidly or even in some cases instantly international if the firm has a positive orientation toward the adoption of the Internet in the internationalisation processes.

Therefore, the Internet influences the path of international market growth by giving firms market access options. That is, depending on the firms orientation towards the Internet the company can choose to have an Internet strategy that uses the web as a sole, primary or complementary mechanism for international market growth, as illustrated in Figure 2. The third research issue concerning directional market growth vectors will now be addressed.

Research issue 3: How has the Internet affected international market growth vectors?

The Internet has had a profound impact on both international market penetration and market development. Thus, the directional vectors of market growth (Aaker, 2001; Ansoff, 1965) should be analysed. *Market growth* can be categorised in two distinct directional growth vectors. That is, *market penetration* is the exploitation of currently established markets with the same product (Aaker, 1998; Ansoff, 1965), in this case the Internet's use in growth of existing country markets. Conversely, *market development* is

when the firm is actively capitalising on new market opportunities outside existing markets, not only through the identification of new segments in markets, but also through the identification of new country markets and new channels to exploit (Evans and Berman, 1985). In this case the Internet's use in the growth of new country markets. The Internet has affected both market penetration and development. Consequently each market growth vector will be evaluated next.

Market penetration. The Internet is an efficient tool for international penetration strategies that capitalises on existing country markets and existing customers. In the pursuit of market penetration both start-ups (*Alpha* and *Beta*) use database marketing, as firm database customer profiles were considered as the best way to generate growth. Dot.coms *Gamma* and *Epsilon* saw moderate importance for database marketing as a means of penetration profit building via those existing international customers. Moreover, all firms viewed the website as an excellent way to expand existing customers usage in international markets, either by servicing existing customers with information updates on the website or through e-direct marketing which could target communications via e-mail, thus, generating better yield from current customers. Therefore, value adding for existing clientele through the Internet is an efficient and prudent mechanism for penetration growth, as illustrated in Table 5.

[Table 5 goes here]

Market development. Although market penetration yielded great efficiencies for SMEs in international markets, market development gave firms an avenue to internationalise that was not previously possible. Firms that use the Internet primarily for international market

development (*Alpha, Beta, Gamma, and Delta*) found strategies to generate traffic to be pivotal in capitalising on market development opportunities. The balances of the other firms indicate lower dependency on the Internet even if it was not the primary mechanism for international market growth, as illustrated in Table 6. SMEs could not be international or be as international without the Internet “*without the Internet we just couldn’t do what we do in international markets*” (*Eta*).

[Table 6 goes here]

The use of search engine optimisation (ad words, hyperlinks, credibility linking, and mathematical algorithms used by search engines so as to manipulate product category listings), and virtual networks will generate the necessary traffic needed for sustainable international market growth. Both the use and manipulation of the mechanisms for growth are valuable tools for the resource-deficient SME. A primary website strategy is not prudent for all firms, but is now essential for all firms to complement traditional mechanisms of growth. Traffic is generated in this virtual environment by either intermediaries and/or virtual marketplaces as illustrated in Figure 2. These virtual intermediaries are a powerful influence in altering the incumbent international supply chains, as illustrated by comments by *Theta*, “*people don’t go to a travel agent any more for accommodation, they go online, which has shifted the power to these [virtual] intermediaries*”.

However, internal psychological barriers can impede the Internet’s influence on internationalisation. For example, even when the firm has primary markets in non-

English speaking international regions the firm is reluctant to localise the website by integration of a multilingual website. Firms generally considered multilingual websites as superfluous, as most firms viewed “*English as the universal language for business*” (Upsilon, 2005). Psychic distance or the psychological barrier to internationalisation is evident in this study as all firms were much more inclined to choose similar counties to Australia, such as New Zealand, U.S., and the UK. Hence, psychic distance has a mediating effect on international market growth. This finding corroborates conceptual aspersions by Peterson, Welch, and Liesch (2002) that psychic distance is evident even in an Internet environment.

Discussion and conclusion

The overall theoretical explanation of post-Internet internationalisation would be best explained by a contemporary international network theory. That is, virtual network intermediaries, such as informediaries and virtual marketplaces have given SMEs access to international markets that was never possible in the old economy. Further, the Internet has also given firms greater frequency and depth of communication through information and knowledge transference, which assists in developing new and more traditional business relationships in international markets previously untenable for SMEs. These additional capabilities brought about due to the Internet add a greater richness to a process network theory. Thus, a dynamic digital network theory gives a richer explanation of the Internet’s internationalisation in a contemporary Internet environment.

The Internet has influenced the traditional way in which firms access and process information and knowledge through rapid communication interactions. However, this

explanation of internationalisation post-Internet does not give a full holistic theoretical evaluation. That is, *internetalisation* goes further, beyond an internationalisation process knowledge management explanation proposed by Peterson, Welch, and Liesch (2002). As Overby and Min (2001) suggest the Internet gives firms a greater ability to manage the *relationships* in international supply chains. Overby and Min (2001) also argue ISCM is but the implementation of international network theory. Therefore, network theory as opposed to ISCM is suggested as the model that should be adopted to explain *internetalisation*. That is, *internetalisation* can be theorised through an enhanced international relationship model either through personal or virtual networks. However, this conceptual reasoning must consider and report the importance of the process components of information, knowledge, and interaction capabilities of the Internet to give a richer picture of the theoretical landscape. International network theory is the advocated theoretical framework that was found to better explain the Internet phenomenon in international market growth. Further, this research also confirms that international network theory is the conclusion to the conceptual theorisation post-Internet internationalisation, albeit in a new dynamic form. These findings highlight the importance giving a holistic perspective to analysing the components of growth of the firm internationally as was evaluated and reported earlier in the research issues section and illustrated in Figure 2.

[Figure 2 goes here]

Contributions and future direction of research

The three contributions of this paper are as follows. First, findings indicate that the Internet has become an integral part of the path and processes of internationalisation due to information, knowledge, and interactive capabilities. Accordingly, the Internet's influence must be represented in internationalisation theory. Second, the importance of the new virtual network intermediaries in conjunction with the accelerated rate of internationalisation due to the Internet, highlight the imperative for a new perspective of international stages, network, and born global theories. Lastly, this research extends the current body of knowledge by developing rich evidence that is presently predominantly conceptually-based. Moreover, this paper illuminates the complexities involved with the Internet's influence on the decisions of international growth by SMEs. Thus, future research should endeavour to confirm these results through a quantitative evaluation, so as to give greater statistical rigour and generalisability to the proposed model.

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Table 1: Case selection (replication logic)

Firm size/ Customer orientation	Business to Consumer	Business to Business
Start-ups	1 (alpha)	2 (beta)
Small firms (1-19)	3 (gamma) 4 (delta)	5 (epsilon) 6 (zeta)
Medium (20-250) (* = 500 employees, however, the majority of staff is casual or seasonally employed. This fits the OECD (2002) definition of SME classification)	7 (Eta) 8 (Theta) 9 (Iota*)	10 (Kappa) 11 (Upsilon) 12 (Omega)

Source: developed for this research

Table 2: Within case study analysis matrix

Case Co. code	Co. type/size	Product orientation	Number of employees	Customer type	Regional focus	International proportion (%) of total Business	Turnover per/ ann.	Age/ Outlets	Interviewee position	Description of firm
Case 1 Alpha	Start up	Physical goods	2	B-to-C	Global US/ UK	70%	<\$1 mill.	3 years 2 outlet	Managing Director	Online Bikinis retailer
Case 2 Beta	Start up	Digital products	8	B-to-B	US/ Europe	99%	\$15 mill.	5years 3 outlet	CEO	Adult entertainment online
Case 3 Gamma	Small	Physical goods	4	B-to-C	US/ UK	35%	\$1.75 mill.	30 years 1 outlet	Owner manager	Jewellery retailer
Case 4 Delta	Small	Physical & digital goods	2	B-to-C	UK/ US	100%	<\$1 mill.	2 years 1 outlet	Owner manager	Specialised artwork & Images
Case 5 Epsilon	Small	Physical & digital goods	7	B-to-B	NZ/UK/ HKG	10%	<\$1 mill.	5 years 1 outlet	Managing Director	Retail point of purchase software & hardware
Case 6 Zeta	Small	Services	13	B-to-B	Asia/ Sth America	100%	<\$1 mill.	2 years 3 outlet	Marketing Manager	Secondary education exporter
Case 7 Eta	Medium	Physical & digital goods	38	B-to-B B-to-C	Asia/ US	75%	\$1-\$2.5 m.	4 years 4 outlet	Business development Director	Stored value cards: financial payment solutions
Case 8 Theta	Medium	Service & good	140	B-to-C	US/UK/ Asia/ Europe	40%	\$5-\$10 mill.	90 years 1 outlet	Marketing Director	Tourism destination/ accommodation
Case 9 Iota	Medium	Service & destination	500 *	B-to-C	NZ/ Asia/ Nth America	20%	\$10 mill. <	23 years 4 outlets	General Manager Sales & Marketing	Tourism attraction
Case 10 Kappa	Medium	Service & destination	50	B-to-B	Global	60%	\$10 mill. <	11 years 5 outlet	General Manager Asia Pacific	Business services franchiser
Case 11 Upsilon	Medium	Service & physical good	150	B-to-B	Global	7-70%	\$10 mill. <	39 years 20 outlet	Business development manager, Australasia	Catering & hospitality contracts
Case 12 Omega	Medium	Services & digital goods	49	B-to-B	NZ/UK/ Sth Asia/ Middle East/ UAE	10-20%	\$5-\$10 mill.	18 years 5outlet	Managing Director	Asset management software

Note: Cases have been given a Greek letters to represent the company, as the anonymity of firms is an imperative ethical consideration. Start up denotes an Internet company that started online. Conversely, if not indicated the firm is not a start up.

*A broad scope of SME definition was used for exploration so as to get a richer understanding of the key issues and variables. For example, case 9. Iota has 500 employees (seasonal), falls within the OECD definition of SME (OECD, 2002).

Table 3 Internet and internationalisation components: information, knowledge & interaction

Case	Information	Information	Market information	Competitor information	Customer information	Resource information	Knowledge transference	Formal system	Informal system	Interaction	Overall Interaction	Transaction capability	Consumer collaboration	Comments
<i>Alpha</i>	√	VSI	√	√	√		√		√	√	VSI	SI	VSI	The Internet has driven all of the internationalisation
<i>Beta</i>	√	MI				√	√	√		√	MI	VSI	LI	Terminal servers and in-house networks that can analyse conversion measurements
<i>Gamma</i>	√	VSI		√			√	√		√	VSI	VSI	VSI	Backend website analytical system, breakdowns data for better conversion rates.
<i>Delta</i>	√	MI	√	√			√		√	√	VSI	LI	LI	Simple intranet system.
<i>Epsilon</i>	√	VSI	√		√	√	√	√		√	VSI	MI	MI	In-house database. Communications tracked-patterns, conversion rates are measured
<i>Zeta</i>	√	VSI	√				√		√	√	SI	LI	SI	e-mail system- an informal e-mailing system is used (limited)
<i>Eta</i>	√	VSI	√		√		√	√		√	VSI	VSI	SI	“Osmosis of information.” It happens through e-mail and our intranet
<i>Theta</i>	√	VSI	√	√	√		√	√		√	MI	SI	LI	Formal system. e-mail (building a better picture). Keeping master files
<i>Iota</i>	√	VSI	√		√		√	√		√	MI	SI	VSI	An integrated departmentalised intranet system. Integrates information technology, international marketing in both in domestic and international.
<i>Kappa</i>	√	VSI		√			√	√		√	VSI	VSI	VSI	“It fundamentally changed the entire process of internationalisation.” Very sophisticated system
<i>Upsilon</i>	√	MI	√		√	√	√	√		√	LI	NI	NI	Product supplier’s information is kept on a server. Specific market particulars are continually developed in an intranet system
<i>Omega</i>	√	LI	√	√			√	√		√	VSI	LI	NI	Feedback systems in-house reports and database profiling system
	12		9	6	6	3	12	9	3	12				

Source: developed for this research √= denotes positive importance to the firm Index: VSI= Very strong importance, SI= Strong importance, MI= Moderate importance, LI= Low importance, NI= No importance

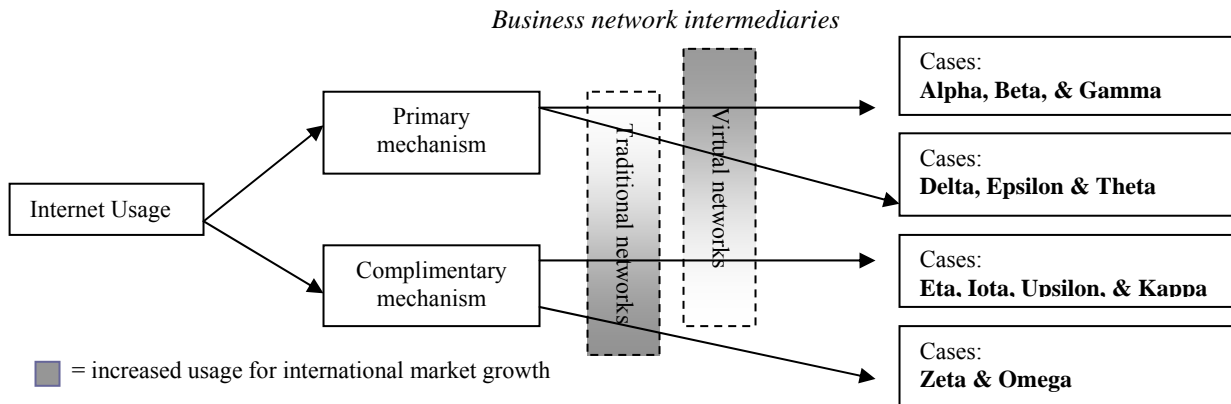
Table 4-Internationalisation path and pace

Case	Path	Path	Path	Pace	Pace	Pace	Comment
Internationalisation Path and Pace	Traditional networks	Virtual network intermediaries	Incremental or stages	Instantly international	Rapidly international	Traditional slow incremental evolution	<p>S = sole for internationalisation P = primary for internationalisation POST = after initially internationalising the firm incrementally moved into new international markets</p>
<i>Alpha</i>	√	<i>P</i> √	POST	√			Women's' apparel start-up firm <i>Alpha</i> . Internationalised from inception and through virtual network intermediaries
<i>Beta</i>	√	<i>P</i> √		√			Adult entertainment start-up, business-to-business firm. Developed internationally from inception. Evolved predominantly through international virtual networks.
<i>Gamma</i>	√	<i>P</i> √	√		* √	√	Well-established (30years). * However, once the firm developed a website they became international within 6 months. Physical firm non-international.
<i>Delta</i>	√	<i>P</i> √			√		Artwork and images. Rapid internationalisation path through sales generated on eBay. Also traditional business network creation through personal relationships.
<i>Epsilon</i>	<i>P</i> √	√	√		√		Software / hardware technology. Primarily traditional networks generate growth internationally (tradeshows, referrals). Search engine optimisation - web traffic
<i>Zeta</i>	<i>S</i> √		√	√			Education export firm. 100% international through a key agent system of networks in each country. <i>Only international</i> as firm does not service domestic customers.
<i>Eta</i>	<i>P</i> √		POST	√			Financial product. Traditional networks for internationalisation. Firm grew rapidly in international markets as the firm was conceived as an international company.
<i>Theta</i>	<i>P</i> √	√	√			√	Tourism. Uses a myriad of networks - international agents, government departments, and industry organisations. Extended network in a virtual environment
<i>Iota</i>	<i>P</i> √	√	√			√	Tourism. Networks in international markets drive internationalisation (agents). Website is well-developed and the need for search engine optimisation necessary.
<i>Kappa</i>	<i>P</i> √	√	√			√	Business service. Referrals and word of mouth (e-WOM) to generate new international clients (franchisers). Reliant on international network structures.
<i>Upsilon</i>	<i>P</i> √	√	√			√	Catering and hospitality contracts (Dom & Int.). Predominantly uses established traditional networks in the industry. Virtual tender sites-international contracts
<i>Omega</i>	<i>P</i> √		√			√	Software developer relies primarily on traditional networks to foster internationalisation growth.
	12	9	10	4	3	6	

Source: developed for this research.

Note: instantly international: international from inception, whereas, rapidly international within the first 6 months.

Figure 1. Integrated traditional network and virtual networks



Source: developed for this research

Table 5 International market growth penetration

Case code	Market Penetration
<i>Alpha</i>	10% of customers are coming from existing markets. That is, 10% are loyal return customers. The cost of acquiring customers is much higher than keeping existing ones.
<i>Beta</i>	Retention is usually about 20% on average. However, “we were getting 31% retention and made some recent changes, which have yielded 37-38% , that is really good.”
<i>Gamma</i>	Approximately 8% of customers are return. These customers are targeted with direct marketing e-mails not too frequently with new product information.
<i>Delta</i>	Relationships can be built up through e-mail, which can lead to purchases down the track.
<i>Epsilon</i>	e-mail newsletters are distributed a few times a month. Most of the new business is generated from word of mouth from our existing customers.
<i>Zeta</i>	Agents are the point of finding information for customers. Thus, e-mail as opposed to the website is used with agents to generate a relationship and gain further growth. Totally agent dependent.
<i>Eta</i>	Internet backs up good customer service and branding. The website helps us to increase usage and this in turn increases commitment.
<i>Theta</i>	Usage of agents. Relationships are formulated with agents through e-mail and relied upon heavily.
<i>Iota</i>	Relationship building/ information through the website (also hyperlinks with the agents websites). It is used as a support for agents. Increased communications efficiencies. Helps to develop a better yield from agents.
<i>Kappa</i>	Very sophisticated- integrated referral system, direct marketing-newsletter. Predominantly the Internet is there for existing clientele to recruit new clients (due to incentives).
<i>Upsilon</i>	Work is commonly generated through current clients. This is significantly helped as a result of e-mail building relationships. “We do get a lot of new business from existing clientele.”
<i>Omega</i>	Current customers use the Internet technologies extensively. However, this is more for the development of the existing customer as opposed to new customers.

Source: developed for this research

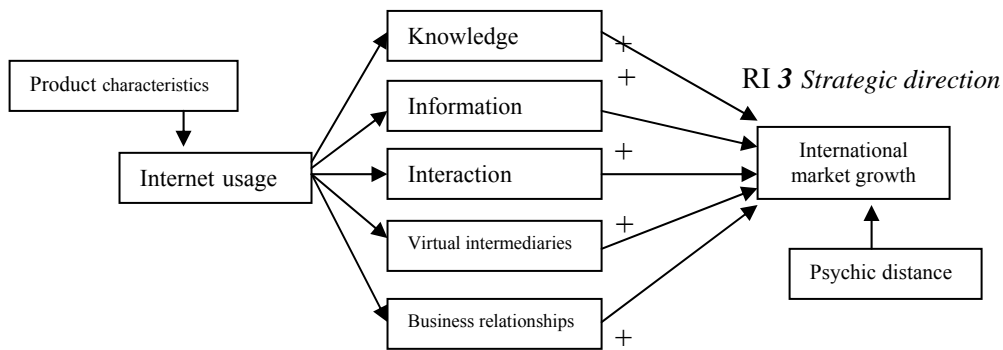
Table 6 International market growth development

Case code	Market Development
<i>Alpha</i>	90% of customers are new. Customers are predominantly generated through traffic from search engine optimisation (add words) strategies and affiliate programs. The key is publicity and positive brand exposure.
<i>Beta</i>	Traffic: Development of new customers is generated through search engines and affiliate programs. "Search engine optimisation through a better understanding of changing algorithms used by search engines is the key."
<i>Gamma</i>	Traffic is the key for the company through search engine optimisation strategies (SEO). "It doesn't matter how good your site is if no one finds it". The website generates 100,00 new visits per month. Generating traffic generates revenue.
<i>Delta</i>	Development of new customers is done either through traditional relationships or virtual network intermediaries (e-Bay).
<i>Epsilon</i>	Search engine optimisation is used for markets such as U.S. and U.K. Word of mouth establish sales in Japan and U.K. Traditional mechanisms for development of new customers. " <i>The Internet is key to our international market expansion</i> "
<i>Zeta</i>	The website helps to give a point for credibility-"it makes us a real company". " <i>the website makes us a real company</i> "
<i>Eta</i>	The website attracts new customers looking for our type of product. It cannot be used as a sole mechanism for development.
<i>Theta</i>	Intermediaries-agents (access to customer relationship systems-CRS). Search engines have allowed us to generate traffic and potential customers (SEO). Shift in power to virtual network intermediaries.
<i>Iota</i>	Not really. Networks with government and tourism organisations more important. Market development is evident, however, only with independent travellers. And Agents.
<i>Kappa</i>	We are constantly getting referrals either through the website or other clients. <i>Our website generates 23% of sales</i> . For example, in Mexico once a relationship was established (from the website) with one person the market grew.
<i>Upsilon</i>	Not really through the firms website. However, the firm does access most jobs through third party tender websites. This generates the majority of new business. The sourcing of new business through the Internet has become very.
<i>Omega</i>	The product is agent based. The website does help direct possible agents through to the company. However, they then have to be evaluated accordingly. Thus, the Internet takes a support role.

Source: developed for this research

Figure 2 Internetalisation process, path and growth

RI 1 internetalisation process (+)



RI2 Internationalisation path & pace (+)

Source: developed for this research